

105TH CONGRESS  
1ST SESSION

# S. 1268

To amend the Tennessee Valley Authority Act of 1933 to modify provisions relating to the Board of Directors of the Tennessee Valley Authority, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 8, 1997

Mr. FRIST introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

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## A BILL

To amend the Tennessee Valley Authority Act of 1933 to modify provisions relating to the Board of Directors of the Tennessee Valley Authority, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. CHANGE IN COMPOSITION, OPERATION, AND**  
4                       **DUTIES OF THE BOARD OF DIRECTORS OF**  
5                       **THE TENNESSEE VALLEY AUTHORITY.**

6       (a) IN GENERAL.—The Tennessee Valley Authority  
7       Act of 1933 (16 U.S.C. 831 et seq.) is amended by strik-  
8       ing section 2 and inserting the following:

1 **“SEC. 2. MEMBERSHIP, OPERATION, AND DUTIES OF THE**  
2 **BOARD OF DIRECTORS.**

3 “(a) MEMBERSHIP.—

4 “(1) APPOINTMENT.—The Board of Directors  
5 of the Corporation (referred to in this Act as the  
6 ‘Board’) shall be composed of 9 members appointed  
7 by the President by and with the advice and consent  
8 of the Senate, who shall be legal residents of the  
9 service area.

10 “(2) CHAIRMAN.—The members of the Board  
11 shall select 1 of the members to act as chairman of  
12 the Board.

13 “(b) QUALIFICATIONS.—

14 “(1) IN GENERAL.—To be eligible to be ap-  
15 pointed as a member of the Board, an individual—

16 “(A) shall be a citizen of the United  
17 States;

18 “(B) shall have widely recognized experi-  
19 ence or applicable expertise in the management  
20 of or decisionmaking for a large corporate  
21 structure;

22 “(C) shall not be an employee of the Cor-  
23 poration;

24 “(D) shall have no substantial direct finan-  
25 cial interest in—

1 “(i) any public-utility corporation en-  
 2 gaged in the business of distributing and  
 3 selling power to the public; or

4 “(ii) any business that may be ad-  
 5 versely affected by the success of the Cor-  
 6 poration as a producer of electric power;  
 7 and

8 “(E) profess a belief in the feasibility and  
 9 wisdom of this Act.

10 “(2) PARTY AFFILIATION.—Not more than 5 of  
 11 the 9 members of the Board may be affiliated with  
 12 a single political party.

13 “(c) RECOMMENDATIONS.—In appointing members  
 14 of the Board, the President shall—

15 “(1) consider recommendations from such pub-  
 16 lic officials as—

17 “(A) the Governors of States in the service  
 18 area;

19 “(B) individual citizens;

20 “(C) business, industrial, labor, electric  
 21 power distribution, environmental, civic, and  
 22 service organizations; and

23 “(D) the congressional delegations of the  
 24 States in the service area; and

1           “(2) seek qualified members from among per-  
 2           sons who reflect the diversity and needs of the serv-  
 3           ice area of the Corporation.

4           “(d) TERMS.—

5           “(1) IN GENERAL.—A member of the Board  
 6           shall serve a term of 5 years, except that in first  
 7           making appointments after the date of enactment of  
 8           this paragraph, the President shall appoint—

9                   “(A) 2 members to a term of 2 years;

10                   “(B) 1 member to a term of 3 years; and

11                   “(C) 2 members to a term of 4 years.

12           “(2) VACANCIES.—A member appointed to fill a  
 13           vacancy in the Board occurring before the expiration  
 14           of the term for which the predecessor of the member  
 15           was appointed shall be appointed for the remainder  
 16           of that term.

17           “(3) REAPPOINTMENT.—

18                   “(A) IN GENERAL.—A member of the  
 19           Board that was appointed for a full term may  
 20           be reappointed for 1 additional term.

21                   “(B) APPOINTMENT TO FILL VACANCY.—

22           For the purpose of subparagraph (A), a mem-  
 23           ber appointed to serve the remainder of the  
 24           term of a vacating member for a period of more

1           than 2 years shall be considered to have been  
2           appointed for a full term.

3           “(e) QUORUMS.—

4           “(1) IN GENERAL.—Six members of the Board  
5           shall constitute a quorum for the transaction of  
6           business.

7           “(2) MINIMUM NUMBER OF MEMBERS.—A va-  
8           cancy in the Board shall not impair the power of the  
9           Board to act, so long as there are 6 members in of-  
10          fice.

11          “(f) COMPENSATION.—A member of the Board shall  
12         be entitled to receive—

13                 “(1)(A) a stipend of \$25,000 per year; plus

14                 “(B) compensation, not to exceed \$10,000 for  
15                 any year, at a rate that does not exceed the daily  
16                 equivalent of the annual rate of basic pay prescribed  
17                 under level V of the Executive Schedule under sec-  
18                 tion 5316 of title 5, United States Code, for each  
19                 day the member is engaged in the actual perform-  
20                 ance of duties as a member of the Board at meet-  
21                 ings or hearings; and

22                 “(2) travel expenses, including per diem in lieu  
23                 of subsistence, in the same manner as persons em-  
24                 ployed intermittently in Government service under  
25                 section 5703 of title 5, United States Code.

1 “(g) DUTIES.—

2 “(1) IN GENERAL.—The Board shall—

3 “(A) establish the broad goals, objectives,  
4 and policies of the Corporation that are appro-  
5 priate to carry out this Act;

6 “(B) develop long-range plans to guide the  
7 Corporation in achieving the goals, objectives,  
8 and policies of the Corporation and provide as-  
9 sistance to the chief executive officer to achieve  
10 those goals, objectives, and policies, including  
11 preparing the Corporation for fundamental  
12 changes in the electric utilities industry;

13 “(C) ensure that those goals, objectives,  
14 and policies are achieved;

15 “(D) approve an annual budget for the  
16 Corporation;

17 “(E) establish a compensation plan for em-  
18 ployees of the Corporation in accordance with  
19 subsection (i);

20 “(F) approve the salaries, benefits, and in-  
21 centives for managers and technical personnel  
22 that report directly to the chief executive offi-  
23 cer;

1           “(G) ensure that all activities of the Cor-  
2           poration are carried out in compliance with ap-  
3           plicable law;

4           “(H) create an audit committee, composed  
5           solely of Board members independent of the  
6           management of the Corporation, which shall—

7                   “(i) recommend to the Board an ex-  
8                   ternal auditor;

9                   “(ii) receive and review reports from  
10                  the external auditor; and

11                  “(iii) make such recommendations to  
12                  the Board as the audit committee consid-  
13                  ers necessary;

14           “(I) create such other committees of Board  
15           members as the Board considers to be appro-  
16           priate;

17           “(J) conduct public hearings on issues that  
18           could have a substantial effect on—

19                   “(i) the electric ratepayers in the serv-  
20                   ice area; or

21                   “(ii) the economic, environmental, so-  
22                   cial, or physical well-being of the people of  
23                   the service area; and

24           “(K) establish the electricity rate schedule.

1           “(2) MEETINGS.—The Board shall meet at  
2           least 4 times each year.

3           “(h) CHIEF EXECUTIVE OFFICER.—

4           “(1) APPOINTMENT.—The Board shall appoint  
5           a person to serve as chief executive officer of the  
6           Corporation.

7           “(2) QUALIFICATIONS.—To serve as chief execu-  
8           utive officer of the Corporation, a person—

9                   “(A) shall be a citizen of the United  
10                  States;

11                  “(B) shall have management experience in  
12                  large, complex organizations;

13                  “(C) shall not be a current member of the  
14                  Board or have served as a member of the Board  
15                  within 2 years before being appointed chief ex-  
16                  ecutive officer; and

17                  “(D) shall have no substantial direct finan-  
18                  cial interest in—

19                          “(i) any public-utility corporation en-  
20                          gaged in the business of distributing and  
21                          selling power to the public; or

22                          “(ii) any business that may be ad-  
23                          versely affected by the success of the Cor-  
24                          poration as a producer of electric power;  
25                          and



1           “(3) TENURE.—The chief executive officer shall  
2           serve at the pleasure of the Board.

3           “(i) COMPENSATION PLAN.—

4           “(1) IN GENERAL.—The Board shall approve a  
5           compensation plan that specifies salaries, benefits,  
6           and incentives for the chief executive officer and em-  
7           ployees of the Corporation.

8           “(2) ANNUAL SURVEY.—The compensation plan  
9           shall be based on an annual survey of the prevailing  
10          salaries, benefits, and incentives for similar work in  
11          private industry, including engineering and electric  
12          utility companies, publicly owned electric utilities,  
13          and Federal, State, and local governments.

14          “(3) CONSIDERATIONS.—The compensation  
15          plan shall provide that education, experience, level of  
16          responsibility, geographic differences, and retention  
17          and recruitment needs will be taken into account in  
18          determining salaries of employees.

19          “(4) SUBMISSION TO CONGRESS.—No salary  
20          shall be established under a compensation plan until  
21          after the compensation plan and the survey on which  
22          it is based have been submitted to Congress and  
23          made available to the public for a period of 30 days.

24          “(5) POSITIONS AT OR BELOW LEVEL IV.—The  
25          chief executive officer shall determine the salary and

1        benefits of employees whose annual salary is not  
 2        greater than the annual rate payable for positions at  
 3        level IV of the Executive Schedule under section  
 4        5315 of title 5, United States Code.

5            “(6) POSITIONS ABOVE LEVEL IV.—On the rec-  
 6        ommendation of the chief executive officer, the  
 7        Board shall approve the salaries of employees whose  
 8        annual salaries would be in excess of the annual rate  
 9        payable for positions at level IV of the Executive  
 10       Schedule under section 5315 of title 5, United  
 11       States Code.”.

12        (b) CURRENT BOARD MEMBERS.—A member of the  
 13       board of directors of the Tennessee Valley Authority who  
 14       was appointed before the effective date of the amendment  
 15       made by subsection (a)—

16            (A) shall continue to serve as a member  
 17            until the date of expiration of the member’s  
 18            current term; and

19            (B) may not be reappointed.

20        **SEC. 2. CHANGE IN MANNER OF APPOINTMENT OF STAFF.**

21        Section 3 of the Tennessee Valley Authority Act of  
 22        1933 (16 U.S.C. 831b) is amended—

23            (1) by striking the first undesignated paragraph  
 24        and inserting the following:

1       “(a) APPOINTMENT BY THE CHIEF EXECUTIVE OF-  
 2 FICER.—The chief executive officer shall appoint, with the  
 3 advice and consent of the Board, and without regard to  
 4 the provisions of the civil service laws applicable to officers  
 5 and employees of the United States, such managers, as-  
 6 sistant managers, officers, employees, attorneys, and  
 7 agents as are necessary for the transaction of the business  
 8 of the Corporation.”; and

9               (2) by striking “All contracts” and inserting  
 10 the following:

11       “(b) WAGE RATES.—All contracts”.

12 **SEC. 3. CONFORMING AMENDMENTS.**

13       (a) The Tennessee Valley Authority Act of 1933 (16  
 14 U.S.C. 831 et seq.) is amended—

15               (1) in the first section, by striking “board of di-  
 16 rectors” and inserting “Board of Directors”; and

17               (2) by striking “board” each place it appears  
 18 and inserting “Board”.

19       (b) Section 9 of the Tennessee Valley Authority Act  
 20 of 1933 (16 U.S.C. 831h) is amended—

21               (1) by striking “The Comptroller General of the  
 22 United States shall audit” and inserting the follow-  
 23 ing:

24       “(c) AUDITS.—The Comptroller General of the Unit-  
 25 ed States shall audit”; and

1           (2) by striking “The Corporation shall deter-  
2       mine” and inserting the following:

3       “(d) ADMINISTRATIVE ACCOUNTS AND BUSINESS  
4 DOCUMENTS.—The Corporation shall determine”.

5 **SEC. 4. EFFECTIVE DATE.**

6       The amendments made by this Act take effect, and  
7 7 additional members of the Board of the Tennessee Val-  
8 ley Authority shall be appointed so as to commence their  
9 terms on, May 18, 1999.

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